

HOUSING MARKET OUTLOOK

Quebec Region Highlights



CANADA MORTGAGE AND HOUSING CORPORATION

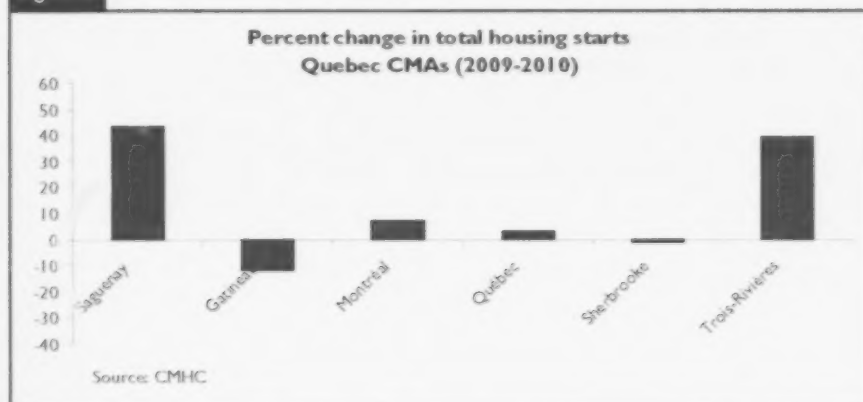
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Housing starts forecast

Figure 1



Figure 2



¹ The outlook is subject to uncertainty. Although point forecasts are presented in this publication, CMHC also presents forecast ranges and risks where appropriate. The forecasts included in this document are based on information available as of April 23, 2010.

Overview¹

A recovering economy, favourable borrowing conditions and strong migratory flows will fuel Quebec's housing markets this year and next. Sales of existing homes will surpass the 86,000 mark this year and more than 47,000 new homes will be started in the province.

In the second half of 2009, the impact of improving global and national economic environments was already apparent in all sectors of Quebec's economy. In addition to public spending on infrastructure projects, both household spending and private investment started to grow again, while exports reacted positively to increased global demand. Whereas a share of the growth in 2010 will stem from various fiscal measures, 2011 will see the private sector contributing to provincial growth. Given this context, the Quebec economy is forecast to grow by just over 2.6 per cent in 2010 and by 3.0 per cent in 2011.

A variety of demographic factors will also sustain the province's housing markets in the coming years. Growing net migration to the province will

continue to have a positive impact on the rental and resale markets. In addition, population ageing and the recent increase in the birth rate will likely prompt households to adjust their housing needs.

In Detail

Single Starts: Recently, starts of single detached homes have benefited significantly from the improved economic and financial environment as well as from the reduced supply of such homes on the resale market. However, the easing of the resale market combined with a trend toward more affordable housing will take pressure off of new construction going forward. About 19,700 single detached starts are expected in 2010 and 17,500 in 2011.

Multiple Starts: A number of factors such as: the current high level of inventory, which will remain relatively high, the lower growth rate of the population aged 75 and over, which will limit demand for retirement homes, will dampen starts of multiple family homes in 2011. Nonetheless, given the strong pace at the outset of the year multiple starts will rise to 27,600 units in 2010, moving down to 24,000 in 2011.

Resales: Following a strong recovery in 2009 – which has extended into the first quarter of 2010, MLS® sales will moderate during the remainder of this year, as less favourable buying conditions emerge. Sales of existing condominiums (town houses or apartments) will again be an important component of the total. The Multiple Listing Service (MLS®) will record over 86,000 unit sales this year, while 2011 will see 83,000 unit sales.

Prices: Decreasing demand for resale homes combined with rising supply will take pressure off prices in the course of the next two years. With a return to more balanced conditions, price growth in the resale market will moderate during 2010 and 2011 to a pace that is in line with inflation.

Mortgage Rates

The Bank of Canada cut the Target for the Overnight Rate in the early months of 2009. The rate was 1.50 per cent at the start of 2009 and has since fallen to 0.25 per cent. Looking ahead, we expect that short-term interest rates will begin to rise in the second half of 2010.

With the overnight rate expected to increase in the coming months, mortgage rates have begun to rise.

According to CMHC's base case scenario, posted mortgage rates will gradually increase throughout the course of 2010, but will do so at a slow pace. For 2010, the one-year posted mortgage rate is assumed to be in the 3.6-4.8 per cent range, while three and five-year posted mortgage rates are forecast to be in the 4.2-6.7 per cent range. For 2011, the one-year posted mortgage rate is assumed to be in the 5.0-6.0 per cent range, while three and five-year posted mortgage rates are forecast to be in the 5.6-7.2 per cent range.

Rates could, however, increase at a faster pace if the economy recovers more quickly than presently anticipated. Conversely, rate increases could be more muted if the economic recovery is more modest in nature.

Mortgage rates		
1 Year	Q1 2010	3.60
	% pt. chg from Q2 2009	-1.23
	2010 (F)	4.23
	2011 (F)	5.56
5 Year	Q1 2010	5.58
	% pt. chg from Q2 2009	-0.13
	2010 (F)	6.20
	2011 (F)	7.06

Source: Bank of Canada, CMHC Forecast

NOTE: Mortgage rate forecast is based on Q4 2009 data

Quebec Region Economic and Housing Indicators

		Labour Market				Housing Market				
		Emp. Growth SA (%)	Unemp. Rate SA (%)	Average Weekly Earnings (\$)		Total Starts	Single-Detached Starts	Multiple Starts	MLS® Sales	MLS® Average Price (\$)
Gatineau	Q1 2010	4.2	6.0	874.53	Q1 2010	371	113	258	1,132	210,693
	Q1 2009	-4.0	6.0	874.90	Q1 2009	618	187	431	872	197,062
	Change ¹	8.3	0.0	0.0%	% Change	-40.0	-39.6	-40.1	29.8	6.9
Montréal	Q1 2010	3.0	9.0	756.58	Q1 2010	4,907	1,320	3,587	13,199	286,723
	Q1 2009	-2.1	8.8	758.12	Q1 2009	3,753	796	2,957	9,050	258,273
	Change ¹	5.1	0.2	-0.2%	% Change	30.7	65.8	21.3	45.8	11.0
Québec	Q1 2010	-1.5	4.3	752.23	Q1 2010	1,125	326	799	2,181	228,991
	Q1 2009	2.8	4.3	741.45	Q1 2009	491	231	260	1,987	202,470
	Change ¹	-4.3	0.0	1.5%	% Change	129.1	41.1	207.3	9.8	13.1
Saguenay	Q1 2010	1.6	7.8	710.05	Q1 2010	56	23	33	450	165,460
	Q1 2009	1.2	9.1	727.11	Q1 2009	32	14	18	335	144,597
	Change ¹	0.4	-1.3	-2.3%	% Change	75.0	64.3	83.3	34.3	14.4
Sherbrooke	Q1 2010	-2.1	8.2	701.37	Q1 2010	334	88	246	561	185,788
	Q1 2009	-1.9	7.1	715.50	Q1 2009	259	113	146	478	173,964
	Change ¹	-0.2	1.1	-2.0%	% Change	29.0	-22.1	68.5	17.4	6.8
Trois Rivières	Q1 2010	-4.2	10.1	713.82	Q1 2010	463	41	422	289	148,023
	Q1 2009	-6.9	7.9	694.58	Q1 2009	74	24	50	299	139,656
	Change ¹	2.7	2.2	2.8%	% Change	525.7	70.8	744.0	-3.3	6.0
Quebec	March 10	1.3	8.0	738.55	Q1 2010	9,045	2,863	6,182	2,181	\$228,991
	March 09	-1.4	8.5	731.98	Q1 2009	6,903	2,190	4,713	1,987	202,470
	Change ¹	2.7	-0.5	0.9%	% Change	31.0	30.7	31.2	9.8	13.1
Canada	March 10	0.9	8.2	813.96	Q1 2010	35,014	16,889	18,125	111,110	\$336,409
	March 09	-1.7	8.1	799.27	Q1 2009	23,772	8,814	14,958	76,396	284,681
	Change ¹	2.6	0.1	1.8%	% Change	47.3	91.6	21.2	45.4	18.2

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

¹Changes to the Unemployment Rate and Employment Growth represent the **absolute** difference between current rates and the rates for the same period in the previous year.

Sources: Statistics Canada (CANSIM), CMHC (Starts and Completions Survey), CREA, QFREB by Centris®

SA means Seasonally Adjusted

Quebec Housing Market Outlook (units and percentage change)											
	2005	2006	2007	2008	2009	2010(F)	2011(F)	2010Q1 (F)	2010Q2 (F)	2010Q3 (F)	2010Q4 (F)
Housing Starts:											
Single	23,930	21,917	22,177	19,778	17,535	19,700	17,500	20,400	20,500	19,500	18,500
%	-17.1	-8.4	1.2	-10.8	-11.3	12.3	-11.2	-0.5	0.5	-4.9	-5.1
Multiple	26,980	25,960	26,376	28,123	25,868	27,600	24,000	31,900	28,000	26,000	24,500
%	-8.8	-3.8	1.6	6.6	-8.0	6.7	-13.0	21.3	-12.2	-7.1	-5.8
Total	50,910	47,877	48,553	47,901	43,403	47,300	41,500	52,300	48,500	45,500	43,000
%	-12.9	-6.0	1.4	-1.3	-9.4	9.0	-12.3	11.8	-7.3	-6.2	-5.5
Existing Home Markets:											
MLS [®] Sales	70,385	71,622	80,649	76,762	79,290	86,400	83,000	92,020	88,000	83,000	82,500
%	3.1	1.8	12.6	-4.8	3.3	9.0	-3.9	3.1	-4.4	-5.7	-0.6
MLS [®] Average Price	184,492	195,171	207,530	215,307	225,412	238,600	242,600	238,091	238,000	238,500	240,000
%	7.4	5.8	6.3	3.7	4.7	5.9	1.7	0.9	0.0	0.2	0.6

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Source: CMHC (Starts and Completions Survey), CREA.

Quebec Region - Housing Forecast Ranges

	2010			2011		
	Point Forecast	High Forecast	Low Forecast	Point Forecast	High Forecast	Low Forecast
Quebec						
Housing Starts	47,300	51,800	43,400	41,500	48,200	34,500
Multiple	27,600	29,800	25,100	24,000	27,600	20,500
Single	19,700	22,000	18,300	17,500	20,600	14,000
MLS [®] Sales	86,400	88,500	84,200	83,000	88,500	77,900
MLS [®] Average Price (\$)	238,600	241,500	235,000	242,600	251,100	231,200
Canada						
Housing Starts	182,000	199,600	166,900	179,600	208,800	148,600
Multiple	85,900	92,600	78,000	91,400	105,100	77,900
Single	96,100	107,000	88,900	88,200	103,700	70,700
MLS [®] Sales	497,300	513,300	484,000	473,500	504,900	443,500
MLS [®] Average Price (\$)	343,700	347,900	338,500	350,800	363,200	334,300

Sources : CMHC

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Quebec Region Housing Forecast - New Construction

	Housing Starts	2009	2010(F)*	% chg (2009/2010)	2011(F)*	% chg (2010/2011)	YTD 2010	YTD 2009	% chg (2009/2010)
Gatineau	Single-Detached	1,056	900	-14.8	825	-8.3	113	187	-39.6
	Multiple	2,060	1,850	-10.2	1,775	-4.1	258	431	-40.1
	Total	3,116	2,750	-11.7	2,600	-5.5	371	618	-40.0
Montréal	Single-Detached	5,446	6,500	19.4	5,700	-12.3	1,320	796	65.8
	Multiple	13,805	14,000	1.4	13,400	-4.3	3,587	2,957	21.3
	Total	19,251	20,500	6.5	19,100	-6.8	4,907	3,753	30.7
Québec	Single-Detached	1,746	1,800	3.1	1,600	-11.1	326	231	41.1
	Multiple	3,767	3,900	3.5	3,600	-7.7	799	260	207.3
	Total	5,513	5,700	3.4	5,200	-8.8	1,125	491	129.1
Saguenay	Single-Detached	337	350	3.9	325	-7.1	23	14	64.3
	Multiple	247	485	96.4	269	-44.5	33	18	83.3
	Total	584	835	43.0	594	-28.9	56	32	75.0
Sherbrooke	Single-Detached	668	660	-1.2	625	-5.3	88	113	-22.1
	Multiple	912	900	-1.3	825	-8.3	246	146	68.5
	Total	1,580	1,560	-1.3	1,450	-7.1	334	259	29.0
Trois Rivières	Single-Detached	375	375	0.0	350	-6.7	41	24	70.8
	Multiple	652	1,050	61.0	475	-54.8	422	50	744.0
	Total	1,027	1,425	38.8	825	-42.1	463	74	525.7

Source: CMHC (Starts and Completions Survey)

(F) = CMHC Forecast

* Although point forecasts are provided in this table, please refer to the Housing Forecast Range table at the end of this report to get the relevant ranges.

Quebec Region Housing Forecast - Resale Market

		2009	2010(F)*	% chg (2009/2010)	2011(F)*	% chg (2010/2011)	YTD	YTD	% chg (f)
Gatineau	MLS® Sales ¹	4,335	4,500	3.8	4,350	-3.3	1,132	872	-23.0
	MLS® Avg. Price ¹	206,005	215,300	4.5	220,500	2.4	210,693	197,062	-6.5
Montreal	MLS® Sales ¹	41,802	45,700	9.3	43,000	-5.9	13,199	9,050	-31.4
	MLS® Avg. Price ¹	274,842	293,000	6.6	298,000	1.7	286,723	258,273	-9.9
Québec	MLS® Sales ¹	7,969	8,050	1.0	7,600	-5.6	2,181	1,987	-8.9
	MLS® Avg. Price ¹	212,198	228,000	7.4	239,500	5.0	228,991	202,470	-11.6
Saguenay	MLS® Sales ¹	1,472	1,575	7.0	1,500	-4.8	450	335	-25.6
	MLS® Avg. Price ¹	151,911	161,500	6.3	166,500	3.1	165,460	144,597	-12.6
Sherbrooke	MLS® Sales ¹	1,803	1,920	6.5	1,910	-0.5	561	478	-14.8
	MLS® Avg. Price ¹	193,245	203,000	5.0	207,000	2.0	185,788	173,964	-6.4
Trois Rivières	MLS® Sales ¹	1,036	1,000	-3.5	975	-2.5	289	299	3.5
	MLS® Avg. Price ¹	142,048	147,750	4.0	150,850	2.1	148,023	139,656	-5.7

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Sources: CMHC, CREA, QFREB by Centris®, CMHC Forecast 2010-2011

¹ Source for the province of Quebec: Canadian Real Estate Association (CREA), historical data and forecasts based on information available up to April 23rd, 2010. Source for the CMA's: QFREB by Centris®

(F) = CMHC Forecast

* Although point forecasts are provided in this table, please refer to the Housing Forecast Range table at the end of this report to get the relevant ranges.

Quebec Region Housing Forecast - Rental Market

	Vacancy Rate		Average Rent 2-Bedroom Units	
	Oct 2009	Oct 2010(F)	Oct 2009	Oct 2010(F)
Gatineau	2.2	2.4	690	705
Montréal	2.5	2.7	669	678
Québec	0.6	0.6	676	696
Saguenay	1.5	1.8	518	535
Sherbrooke	3.9	4.5	553	560
Trois Rivières	2.7	2.7	520	530
Canada	3.0	2.9	0	0

Source: CMHC Fall Rental Market Survey

(F) = CMHC Forecast

¹ All centres 100,000+

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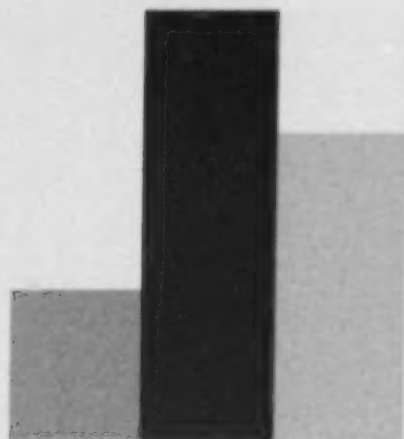
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